

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

BULLETIN 2002-5

Issued this 14th day of June, 2002

TO: All Health Insurers Licensed In Minnesota

RE: File-and-Use Legislation

The New Legislation

This bulletin is intended to clarify company health insurance rate filing requirements following the adoption of Minnesota Session Laws 2002, Chapter 330 (House File 2988). This bulletin specifically addresses parts of section 8, codified as Minnesota Statutes, section 62A.02, subdivision 2 (b), which reads as follows:

62A.02, subdivision 2. Approval.

(b) Notwithstanding paragraph (a), a rate filed with respect to a policy of accident and sickness insurance as defined in section 62A.01 by an insurer licensed under chapter 60A, may be used on or after the date of filing with the commissioner. Rates that are not approved or disapproved within the 60-day time period are deemed approved.

Please take note that the provision quoted above was amended by Minnesota Session Laws 2002, Chapter 387 (Senate File 3024), by the addition of the following sentence:

This paragraph does not apply to medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (q).

The effect of this further amendment is to remove medicare-related coverage from the scope of the file-and-use privilege. You must continue to obtain the Department's approval before implementing Medicare supplement rates.

Department Approval Still Required

The new "file and use" law has not changed the Department's responsibility to review all health rate filings for compliance with Minnesota Statutes, and to approve or disapprove those rate filings within 60 days. It merely grants the companies the opportunity to start charging the new rates as soon as they are filed with the Department, rather than waiting until the review process has been completed, and the rates have been approved. Although this provides companies with an expedited timetable for implementing new rates, it also presents potential problems in those cases where the Department disapproves the rate. If a rate filing is implemented under file-and-use, and then disapproved, the company must reform the rate, resulting in possible expense and inconvenience to the company, the agent, and the insured.

Although companies may utilize file-and-use for any rate filing, good judgment should be used in determining which filings are best suited to this procedure. For example, a required annual filing with little or no change in the rate would almost certainly be appropriate under file-and-use. By contrast, dramatically large rate increases, or multiple rate increases filed within a short time period, are less likely to be approved exactly as filed and the company may wish to wait for approval before rolling out the new rates.

How to File

All rate filings intended for implementation under file and use should be clearly identified. This information should be included on both the transmittal form and the transmittal letter, whether filed as paper or as an electronic SERFF filing. Please take note that all rate filings must include, at a minimum, the supporting information required under Minnesota Statutes, sections 62A.02, subdivision 1 and 62A.021. Filings that do not include the statutorily required information will be considered incomplete, and not eligible for file-and-use status. The Department of Commerce web site provides checklists of information required in a complete rate filing.

For file-and-use, as well as conventional filings, the 60-day period within which the commissioner is to approve or disapprove the rate does not begin to run until a complete filing of all data and materials required by statute or requested by the commissioner has been submitted.

New Forms and Rates

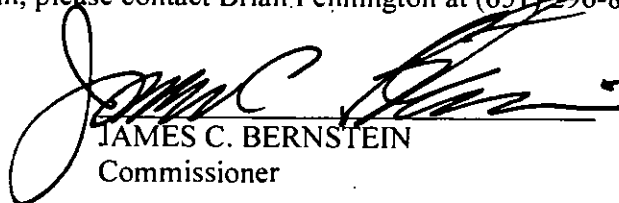
Minnesota Statutes, section 62A.02, subdivision 3, provides that benefits must be reasonable in relation to the premium charged. When new products are filed involving both forms and rates, the rates cannot be accurately related to the benefits until the forms have been reviewed and approved. Therefore, the 60-day period for approval of the rates cannot begin until the forms have been finalized. New forms and rates should be filed simultaneously, and cross referenced.

Effective Date

This law is effective for filings received on or after July 1, 2002.

Chapter 330, House File 2988, also addressed the minimum 60 percent loss ratio requirement, which is addressed in Bulletin 2002-4

If you have any questions regarding this bulletin, please contact Brian Pennington at (651) 296-8218.



JAMES C. BERNSTEIN
Commissioner

To obtain copies of the law, contact either:

Senate Information Office, Room 231

or

House Information Office, Room 211

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